

MICHIGAN DEPARTMENT OF TRANSPORTATION

LOCAL PUBLIC TRANSIT REVENUE AND EXPENSE MANUAL

**with Nonfinancial Operating Data
Definitions**

**PASSENGER TRANSPORTATION DIVISION
BUREAU OF URBAN AND PUBLIC TRANSPORTATION**

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TABLE OF CONTENTS

	<u>PAGE</u>
BASIC GUIDELINES	1
REVENUES	2
New Code 40760 Gains from the Sale of Capital Assets	4
New Code 41110 Line-Item Municipal Credit	5
New Code 41111 Preventive Maintenance	5
New Code 41112 Capital Cost of Contracting	5
New Code 41113 Capital Contract Reimbursement for Administrative Expenses	6
New Code 41114 Other Capital Contract Reimbursement for Operating Expenses	6
New Code 41311 Preventive Maintenance	7
New Code 41312 Capital Cost of Contracting	7
New Code 41313 Capital Contract Reimbursement for Administrative Expenses	7
New Code 41314 Other Capital Contract Reimbursement for Operating Expenses	7
EXPENSES	8
New Code 50909 Loss on Disposal of Assets	16
New Code 51104 Interest on Capital Lease	17
INELIGIBLE EXPENSES	18
New Code 58009 Ineligible Loss on Disposal of Assets	18
Elimination of the 10% Rule	20
NONFINANCIAL OPERATING DATA	22
LISTING OF SIGNIFICANT FTA and CTF PROGRAMS	26

ACRONYMS/Definitions

Act 51	Act 51 of the Public Acts of 1951, as amended
CTF	Comprehensive Transportation Fund
DR	Demand-Response (acronym used on the PTMS)
FSL	Federal Contract with State Match and/or Local Match
FTA	Federal Transit Administration
LH	Line-Haul (acronym used on the PTMS)

OAR	Operating Assistance Report submitted on the PTMS
PTD	Passenger Transportation Division
PTMS	Public Transportation Management System
Contract	means any legally binding agreement between parties regardless of the terminology used at the different governmental levels (e.g. federal grant, state master agreement and project authorizations, local contract).

Purpose of Manual & Reporting Requirements

This Manual should be used to report State Operating Assistance revenues and expenses on an OAR. Budget, quarterly, and annual reconciled OARs are required to be submitted through PTMS. Budgets are due on February 1st of each year. Annual reconciled OARs are due 40 days after the end of the state's fiscal year and must be based on that year (e.g. October 1st through September 30th). Quarterly OARs are due 40 days after the end of each quarter.

Please note: Although this Manual is written to report State Operating Assistance revenues and expenses, other programs such as Project Zero and Regional Transportation also use this Manual.

BASIC GUIDELINES

State Operating Assistance expenses are eligible for reimbursement if they are:

- ☛ incurred for public transportation purposes;
- ☛ reasonable and necessary for proper and efficient operations;
- ☛ categorized according to this Manual;
- ☛ supported by source documentation;
- ☛ net of all applicable credits;
- ☛ NOT funded or to be funded under another CTF program **or** FTA program (except Federal Section 5307 Operating and 5311 Operating);
- ☛ in accordance with generally accepted accounting principles and, if required, a PTD approved cost allocation plan.

Generally, if 100% of an activity benefits general public transportation, 100% of the expenses associated with that activity may be considered eligible operating expenses. However, if the benefits of that activity are also shared or paid for by a program or entity which targets a specific population, then the expenses may require an approved cost allocation plan. **If you are not sure whether or not you need a PTD approved cost allocation plan, please contact your PTD Project Manager.**

State Chart of Accounts

The PTMS code numbers used in this Manual are not those used in the State Chart of Accounts, nor are they intended to replace the State Chart of Accounts.

REVENUE

Revenue is defined as all income generated as a result of providing public transportation service. Please note that:

- retained earnings used to cover an operating deficit is not revenue in that year. Retained earnings is money earned and reported in prior years and should not be reported again when used.
- reimbursements, credits, and refunds are not revenues. Items such as 50401 fuel and lubricant tax refunds and 50603 insurance premium refunds are contra expenses and should be deducted against the *current year's* appropriate expense code.
- monies received in the current year for prior year's expenses (e.g. the final Section 5311 payment) are not revenue in the current year and should not be reported on the current year's OAR.

Farebox Revenue

40100 Passenger Fares. Fees charged for passenger trips: (1) all monies put in the farebox, (2) the cash equivalent of bus passes and transfers, (3) revenue earned from "Park and Ride" lots, and (4) School Tripper Service which is open to the general public.

40200 Contract Fares. Contractual fees paid by an organization (rather than by the passenger). This service must be available to the general public ("open door").

40400 Package Delivery/"Meals on Wheels." Package delivery must be incidental to providing public transportation services. Revenues equal to expenses associated with package delivery are not eligible and should be backed out under 55008 Other Ineligible Expenses. However, expenses incurred delivering Meals on Wheels are eligible for reimbursement.

40500 Charter Service is a vehicle hired for exclusive use that does not operate on a regular route, on a regular schedule, and is not available to the general public ("closed door"). The transit agency will not engage in charter service except on an incidental basis as defined by the federal charter regulations, [49 CFR Part 604](#). If incidental charter is

provided, there must be a PTD approved cost allocation plan. Expenses associated with charter service are not eligible and should be backed out under 55015 Ineligible Charter Expense.

Note: If charter service is provided, then 630 Charter Service Hours and 631 Charter Service Miles must be reported on the nonfinancial portion of the OAR.

Auxiliary Transportation Revenue

Auxiliary Transportation Revenue is income earned from operations closely associated with providing public transportation service.

40610 Concessions revenues are earned from operating or granting rights to concessionaires to operate newsstands, candy counters, vending machines, etc. on transit agency property. If the transit agency rents space to a third party concessionaire, a PTD approved cost allocation plan may be necessary. Expenses associated with concessions are not eligible and should be backed out under 55010 Other Ineligible Expenses Associated with Auxiliary and Nontransportation Revenue.

40615 Advertising revenue is earned from displaying advertising materials on transit agency vehicles and property. Expenses associated with equipping vehicles with advertising signs or maintaining the signs, including labor, are not eligible and should be backed out under 56002 Ineligible Expenses Associated with Advertising Revenue.

40620 Intercity Ticket Sales revenue is earned from the sale of intercity bus tickets (e.g. Greyhound, Indian Trails). If the transit agency employee has joint job responsibilities between intercity and public transportation, the employee's time is an eligible expense under 50102 Other Salaries and Wages. The revenue earned no longer needs to be backed out as ineligible under 56003 Ineligible Expenses Associated with Intercity Ticket Sales.

40699 Other Auxiliary Transportation Revenues are earned from auxiliary operations other than those specified in 40610 through 40620. Explain what these revenues are in the PTMS comment field. Ineligible expenses associated with these revenues should be backed out under 55010 Other Ineligible Expenses Associated with Auxiliary and Nontransportation Revenue.

Nontransportation Revenue

Nontransportation Revenue is income earned from activities not directly associated with providing public transportation service.

40710 Sale of Maintenance Services revenue is earned from providing maintenance services on vehicles, equipment, and facilities not owned or used by the transit agency. A PTD approved cost allocation plan is required. Expenses are not eligible and should be backed out under 56001 Ineligible Expenses Associated with the Sale of Maintenance Service.

40715 Rental of Revenue Vehicles is earned from renting transit agency revenue vehicles to other transit agencies or organizations providing public transportation. A PTD approved cost allocation plan is required. Expenses are not eligible and should be backed out under 56004 Ineligible Expenses Associated with Rentals.

40720 Rental of Buildings or Other Property revenue is earned from renting transit agency buildings and property, including equipment and vehicles (other than 40715 revenue vehicles) to other transit agencies or organizations providing public transportation. A PTD approved cost allocation plan is required. Expenses are not eligible and should be backed out under 56004 Ineligible Expenses Associated with Rentals.

40725 Parking Lot Revenue is earned from parking fees other than at “Park and Ride” locations which is reported under 40100 Passenger Fares. A PTD approved cost allocation plan is required. Expenses are not eligible and should be backed out under 56004 Ineligible Expenses Associated with Rentals.

40760 Gains from the Sale of Capital Assets are revenue if the proceeds from the disposal of a capital asset are contractually allowed to be retained by the transit agency and are used to provide public transportation. A gain should not be reported under this code if the property is given in exchange as part of the purchase price of a similar item and the gain is taken into account in determining the depreciation basis of the new item.

Note: For State Operating Assistance, none of the gain needs to be backed out as ineligible.

40799 Other Nontransportation Revenue are earned from nontransportation activities other than those listed in 40710 through 40760. A PTD approved cost allocation plan may be required. Please explain what these revenues are in the PTMS comment field. Expenses associated with 40799 Other Nontransportation Revenue are not eligible and should be backed out under 55010 Other Ineligible Expenses Associated with Auxiliary and Nontransportation Revenue.

Local Revenue

40800 Taxes Levied Directly for/by Transit Agency. Taxes collected directly for transit (e.g. millage).

40910 Local Operating Assistance. Operating funds received from local governmental units other than taxes levied in 40800 (e.g. general fund).

40920 Single Business Tax revenue is received from the taxing authority, a local municipality, or county government which covers millage collection shortfalls.

40999 Other Local Contracts and Reimbursements. Please explain these revenues in the PTMS comment field. Depending upon the local contract, expenses incurred or revenue received under the contract may not be eligible and should be backed out under 55005 Ineligible Local Contracts.

KNOW WHEN FEDERAL AND STATE MONEY IS CONSIDERED LOCAL SHARE!

Any monies received by the transit agency that are not specifically FTA or MDOT funded is considered local funding and should be reported either as farebox (e.g. 40200 Contract Fares) or local share (e.g. 40999 Other Local Contracts and Reimbursements).

State Formula and Contracts

41101 State Operating Assistance received pursuant to Act 51. Funds are distributed statewide on the basis of total eligible operating expenses as determined by this Manual.

Do not include State Operating Assistance received for previous years. When State Operating Assistance is redistributed based on annual reconciliations and annual CPA audits, PTD will enter the adjusted amount into PTMS.

41110 Line-Item Municipal Credit is the appropriations paid to transit agencies created under the Metropolitan Transportation Authorities Act of 1967, Act No. 204 of the Public Acts of 1967. Municipal credit money distributed within the State Operating Assistance payment should be reported under 41101 State Operating Assistance.

41111 Preventive Maintenance (20% state share) revenue is received under a capital contract to pay for maintenance expenses. Maintenance expenses paid by a capital contract are not eligible and should be backed out under 55011 Ineligible Preventive Maintenance (FSL).

41112 Capital Cost of Contracting revenue is received under a capital contract to pay for the capital consumed when the transit agency, through competitive procurement, contracts with an outside party to provide public transportation. The capital consumed is the contractor's depreciation and interest costs related to the equipment or facilities used to provide public transportation under the contract. Operating expenses paid by a capital contract are not eligible and should be backed out under 57602 Ineligible Capital Cost of Contracting (FSL).

41113 Capital Contract Reimbursement for Administrative Expenses revenue is received under a capital contract to pay for administrative expenses associated with that contract. The administrative expenses reimbursed under the contract are not eligible and should be backed out under 57603 Ineligible Administrative Expense Paid by Capital Contract (FSL).

41114 Other Capital Contract Reimbursement for Operating Expenses revenue is received under a capital contract to pay for operating expenses. Please explain in the PTMS comment field. Expenses reimbursed under the contract are not eligible and should be backed out under 57604 Other Ineligible Operating Expense Paid by Capital Contract (FSL).

41199 Other State Contracts and Reimbursements. Please explain in the PTMS comment field (e.g. a transit agency receives money to fund additional routes while a major section of a local highway is closed for construction). Depending upon the contractual language, either the expenses incurred or the revenue received may not be eligible and should be backed out under 55004 Other Ineligible State Contracts or under 57099 Other Ineligible FSL if a federal portion is reported under 41399 Other FTA Contracts and Reimbursements. If the contract requires a local match, then the local match should also be backed out under the appropriate code.

For Regular Service OARs used to report State Operating Assistance, do not report any revenues that relate to other state CTF operating programs (e.g. Specialized Services, Project Zero/Work First Initiative, Regional Transportation).

Federal Contracts

41301 Section 5311 is federal operating assistance received in nonurbanized areas. Do not report Section 5311 capital in this code. Capital is reported separately.

Do not include Federal Section 5311 money received for previous years. When Section 5311 is redistributed based on annual CPA audits, PTD will enter the adjusted amount into PTMS.

41302 Section 5307 is federal operating assistance received in urbanized areas. Do not report Section 5307 capital in this code. Capital is reported separately.

41311 Preventive Maintenance (80% federal share) revenue is received under a capital contract to pay for maintenance expenses. Maintenance expenses paid by a capital contract are not eligible and should be backed out under 55011 Ineligible Preventive Maintenance (FSL).

41312 Capital Cost of Contracting revenue is received under a capital contract to pay for the capital consumed when the transit agency, through competitive procurement, contracts with an outside party to provide public transportation. The capital consumed is the contractor's depreciation and interest costs related to the equipment or facilities used to provide public transportation under the contract. Operating expenses paid by a capital contract are not eligible and should be backed out under 57602 Ineligible Capital Cost of Contracting (FSL).

41313 Capital Contract Reimbursement for Administrative Expenses revenue is received under a capital contract to pay for administrative expenses associated with that contract. The administrative expenses reimbursed under the contract are not eligible and should be backed out under 57603 Ineligible Administrative Expense Paid by Capital Contract (FSL).

41314 Other Capital Contract Reimbursement for Operating Expenses revenue is received under a capital contract to pay for operating expenses. Please explain in the PTMS comment field. Expenses reimbursed under the contract are not eligible and should be backed out under 57604 Other Ineligible Operating Expense Paid by Capital Contract.

41398 RTAP. Rural Transportation Assistance Program provides funds to assist in training, technical assistance, research, and other support services for nonurbanized transit agencies and transit agencies that are primarily urban but receiving either Section 5310 or 5311 federal funds in addition to Section 5307 funds. Expenses reimbursed by this program are not eligible and should be backed out under 57402 Ineligible RTAP.

41399 Other FTA Contracts and Reimbursements. Please explain in the PTMS comment field (e.g. planning contracts, operating funds received from Congestion, Mitigation, and Air Quality (CMAQ)). Expenses incurred are not be eligible and should be backed out under 55003 Other Ineligible FTA Contracts or under 57099 Other Ineligible FSL if a state portion is reported under 41199 Other State Contracts and Reimbursements. If the contract requires a local match, then the local match should also be backed out under the appropriate code.

Other Revenue	
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41400 Interest Income is interest earned on all local, state, and federal operating revenues including retained earnings. Do not include interest earned on funds received from capital projects. If interest is earned on capital funds, the interest must be credited to the specific capital project.

43000 Contributed Services is the cash equivalent of donated products and/or services that benefit transit operations and would need to be purchased if the products or services were not donated. A PTD approved cost allocation plan is required. See page 9 for further explanation on contributed services.

The revenues associated with contributed products and services are reported under this code while the expenses are split out based on the appropriate expense codes and should equal the amount reported here.

EXPENSES

For Regular Service OARs used to report State Operating Assistance, do not report any expenses that relate to other state CTF operating programs (e.g. Specialized Services, Project Zero/Work First Initiative, Regional Transportation).

The 10% rule allowing transit agencies to report other state CTF operating programs on a regular service OAR has been abolished. Therefore, do not report any expenses associated with CTF programs that have their own individual reporting requirements (e.g. Specialized Services, Project Zero/Work First Initiative, Regional Transportation) regardless of the dollar amount.

[illegible]

Be sure to classify expenses by function: Operations, Maintenance, or General Administration.

Operations expenses are incurred when transporting passengers, such as:

- drivers' wages and benefits.
- supervising dispatchers, drivers, schedulers.
- dispatching, radio monitoring.
- oil, gas, tires.
- insurance for revenue vehicles.

Maintenance expenses are incurred when maintaining transit assets, such as:

- mechanics' wages and benefits.
- supervising mechanics.
- maintenance and repair of transit assets.
- shop tools and supplies.

General Administration expenses are incurred in office functions, such as:

- bookkeepers' and data processors' wages and benefits.
- supervising office personnel.
- counting fares.
- financial activities (e.g. auditing, purchasing, marketing).
- insurance except for insurance on revenue vehicles.



DON'T FORGET EXPENSES ASSOCIATED WITH CONTRIBUTED PRODUCTS AND SERVICES

Contributed products and services are eligible expenses if the products and services received are: (1) supported by actual documentation based on a PTD approved cost allocation plan, (2) provided by individuals possessing the necessary skills, and (3) would typically need to be purchased if not provided by donation.

Listed below are examples of contributed products and services and the related PTMS code:

- The county performs the transit agency's payroll. Then the cash equivalent of the donated service should be included in 50399 Other Services *General Administration*.
- Prisoners are brought from the local prison to wash buses. Then the cash equivalent of the donated service should be included in 50399 Other Services *Maintenance*.
- The local unit of government donates gasoline to the transit agency. Then the cash equivalent of the donated gasoline should be included in 50401 Fuel and Lubricants *Operations*.

Contributed products and services that do not meet the established criteria are not eligible and the dollar amount associated with the service should be backed out under 55008 Other Ineligible Expenses. Depending upon the service, the function classification could be *Operations*, *Maintenance*, or *General Administration*. Please explain in the PTMS comment field.



Labor

Labor is compensation due employees in exchange for services.

50101 Operators' Salaries and Wages. Compensation paid to employees classified as bus drivers. *Operations*

50102 Other Salaries and Wages. Compensation paid to employees not classified as bus drivers or dispatchers. Please classify the expenses by the appropriate function:

- supervision of dispatchers, drivers, and schedulers. *Operations*
- maintenance personnel and supervision of maintenance personnel. *Maintenance*
- office personnel and supervision of office personnel. *General Administration*

If a transit agency has an operations supervisor, then the operation supervisor's total salary should be reported in 50102 Other Salaries and Wages. *Operations* If the transit manager directly supervises all employees, then the manager's salary may be allocated among the Operations, Maintenance, and General Administration functions. No PTD approved cost allocation plan is necessary if the transit manager's time is based on actual time records. However, if the transit manager's time is allocated based on a methodology (e.g. labor hours, number of employees per function), then a PTD approved cost allocation plan is required.

Compensation paid to transit board members should not exceed the standard practice for local political bodies in the service area. *General Administration* If a transit board member performs functions other than "board functions," then the transit board member may be considered an employee of the transit agency, and therefore, treated as such with regards to income tax withholdings.

Note: Expenses of advisory councils, authority boards, transportation committees, etc. are eligible for reimbursement for both State Operating Assistance and Section 5311 funds if the sole responsibility of the governmental entity is related to the transit agency. If the transit-related governmental entity has responsibilities other than those connected to the transit agency, only the expenses directly attributable to the governance of the transit agency are eligible. Expenses relating to the general cost of government (e.g. city councils, county commissions) are not eligible and should be backed out under 55008 Other Ineligible Expenses. *General Administration*

50103 Dispatchers' Salaries and Wages. Compensation paid to employees classified as dispatchers. *Operations*

Fringe Benefits

Fringe benefits are payments made or due by the transit agency on the employees' behalf. These are costs over and above "labor" that arise from the employment relationship.

50201 Pensions. Payments or accruals to pension funds made by the employer on the employees' behalf under the terms of a pension plan. Expenses should be classified as either *Operations*, *Maintenance*, or *General Administration* based upon the 501xx Salaries and Wages classification. Pension costs are eligible provided they are:

- calculated using an actuarial cost-based method recognized by generally accepted accounting principles. A transit agency may pay more than the amount determined, but only the actuarially determined amount is eligible for reimbursement,
- reasonable and necessary,
- actually paid within six months after the end of the fiscal year. "Paid" means an actual out-of-pocket expense for the transit agency. Actuarial gains used to offset pension expense are not considered "paid." Costs paid six months after the end of the fiscal year are eligible in the year paid, and
- on the behalf of vested employees (or the money stays in the pension fund if the employee leaves before becoming vested).

A lump sum payment necessary to buy into a pension plan for prior years of service and the annual installments are eligible expenses as long as the above criteria are met (e.g. Municipal Employee Retirement System).

Pension expense not meeting the above criteria is not eligible and should be backed out under 58007 Ineligible Pension Expense.

50200 Other Fringe Benefits. Expenses should be classified as either *Operations*, *Maintenance*, or *General Administration* based upon the 501xx Salaries and Wages classification.

- personal retirement plans (e.g. 401(k), cafeteria plans).
- FICA (Social Security tax and Medicare).
- dental, hospital, medical, and surgical plans.
- life and disability insurance plans.
- unemployment insurance. Self-unemployment insurance is eligible with prior approval of PTD.
- worker's compensation insurance & Federal Employees' Liability Act Contribution.
- uniform and work clothing allowances.

- authorized absences from the job if established by a written leave policy (e.g. sick leave, vacation time, holidays, jury duty). Accrual of leave time is eligible based on the lesser of the amount accrued or funded.
- merit based pay bonuses approved by the transit agency's board.

Services

Service is labor or other work provided by outside organizations or individuals for fees and related expenses.

50302 Advertising Fees. All advertising and marketing expenses. *General Administration*

50305 Audit Cost. Expenses incurred for an annual CPA audit. Audit costs are eligible for State Operating Assistance. *General Administration* The audit cost of a transit or program audit (e.g. The Audit Guide for Transportation Authorities and Agencies in Michigan), for which a Single Audit is or is not required and performed for the county and/or city (of which the transit agency is a part) are not eligible for Section 5311 reimbursement.

50399 Other Services. Please explain in the PTMS comment field.

- professional & technical services (e.g. accountants, computer service, doctors, management and transit industry consultants, security services, engineering firms, attorneys). These services generally require specialized technical knowledge and are performed under the supervision of the outside organization rather than transit agency personnel. Depending upon the service, the function classification could be *Operations, Maintenance, or General Administration*.
- services provided on a temporary basis by persons who are not transit employees. Depending upon the service, the function classification could be *Operations, Maintenance, or General Administration*.
- contractual maintenance services provided by an outside organization. *Maintenance*
- media advertising for employee vacancies. *General Administration*

Materials and Supplies

Materials and Supplies used from inventory or purchased for immediate consumption.

50401 Fuel and Lubricants include the cost and tax of gasoline, diesel fuel, propane, compressed natural gas, lubricating oil, transmission fluid, grease, etc., for use in vehicles and equipment. *Operations*

Note: Federal, state, and local governments are exempt from paying federal and state fuel tax. Private bus companies that offer service to the public may apply for a refund or credit of the federal and state fuel tax. **REFUNDS AND CREDITS MUST BE DEDUCTED AGAINST THE CURRENT YEAR'S EXPENSE.** Please indicate the amount of the refund or credit in the PTMS comment field.

50402 Tires and Tubes. *Operations*

50404 Major Supplies include big ticket items that cost less than \$5,000 (e.g. computers, software, office furniture). Depending upon what was purchased, the function classification could be *Operations, Maintenance, or General Administration*. Please explain in the PTMS comment field.

50499 Other Materials and Supplies.

- bus parts. *Operations*
- shop tools, shop supplies, miscellaneous hardware. *Maintenance*
- office, copier, computer supplies. *General Administration*

50500 Utilities

Payments made to utility companies (e.g. telephone, electric, gas, water, sewer, etc.).
General Administration

Insurance

50603 Liability Insurance. The type, extent, and cost of coverage must be in accordance with laws, governmental policy, and sound business practices. These may include:

- insurance premium payments provided the payments are necessary to maintain reasonable insurance protection. *Operations*
- losses due to acts which the transit agency: (1) is liable for, (2) is not covered by insurance, but (3) has proper insurance coverage. Payments made in the current fiscal year are eligible even though the liability was incurred in a prior reporting

period. If the transit agency is not properly insured, the losses are not eligible and should be backed out under 55008 Other Ineligible Expenses. *Operations*

- self insurance if approved by PTD.

Note: To be eligible for reimbursement, the transit agency must obtain a written statement by an independent certified public accountant as to the reasonableness of: (1) the annual payments paid into the fund, and (2) the overall fund balance. *Operations*

50699 Other Insurance includes all expenses except those reported under 50603 Liability Insurance (e.g. fidelity bonds, business records, errors and omissions, etc). *General Administration*

Note: Approximately ninety (90) percent of the transit agency's total insurance cost is reported under 50603 Liability Insurance *Operations* and ten (10) percent is reported under 50699 Other Insurance. *General Administration* If reported insurance expense varies from this standard, please explain in the PTMS comment field why less than 90% of insurance is reported under 50603 Liability Insurance and why more than 10% of insurance is reported under 50699 Other Insurance.

Expenses NOT included in 506xx Insurance are:

- in-house repair of damaged property (report this under 50102 Other Salaries and Wages, 50200 Other Fringe Benefits, and 504xx Materials & Supplies, or possibly 50399 Other Services).
- property damaged beyond repair (report this under 51300 Depreciation).
- wage and fringe expenses of employees who process insurance claims for and against the transit agency (report this under 50102 Other Salaries and Wages and 50200 Other Fringe Benefits).

INSURANCE REFUNDS MUST BE DEDUCTED AGAINST THE CURRENT YEAR'S EXPENSE. Please indicate the amount of the refund in the PTMS comment field.

Taxes and Fees

50700 Taxes and Fees. Taxes levied against the transit agency by federal, state, or local governments (e.g. property tax). *General Administration* Fees include such things as commercial drivers' license, vehicle licensing, and registration fees. *Operations*

Taxes **not** included in this code are: (1) payroll withholding taxes, (2) sales and excise taxes on purchased materials and services (these are included in the base price of the material or service), and (3) fuel and lubricants taxes (which are included in 50401 Fuel and Lubricants).

Purchased Transportation Service

50800 Purchased Transportation Service. Payment or accrual for transportation service provided by a third party operator. *Operations*

There must be a legal contract between the transit agency and the third party operator for the purpose of providing public transportation services. Unless a transit agency has been certified in accordance with the transportation commission's policy, the transit agency must obtain department approval for all contracts over \$25,000, including amendments, between the transit agency and the third party operator.

Please report all nonfinancial data (e.g. passengers, miles, hours, vehicles) associated with Purchased Transportation Service.

Miscellaneous Expenses

50902 Travel, Meetings, and Training. Expenses include attendance fees, food, lodging, and travel. Depending upon the training, the function classification could be *Operations, Maintenance, or General Administration*. For example:

- Accounting Training. *General Administration*
- Maintenance Seminar. The function classification depends upon who attends the Rodeo. If a mechanic attends, the expense is classified as *Maintenance*. If a transit manager attends, the expense is classified as *General Administration*.
- Annual Meeting. *General Administration*
- Small Bus Rodeo. The function classification depends upon who attends the Rodeo. If a driver attends, the expense is classified as *Operations*. If a transit manager attends, the expense is classified as *General Administration*.
- Transportation organization meetings (e.g. Michigan Public Transit Association, MASSTrans, and American Public Transit Association). *General Administration*

50903 Association Dues and Subscriptions.

- Fees for membership in transportation organizations. If the transportation organization incurs lobbying expenses, a percentage of dues paid will not be eligible and should be backed out under 55009 Ineligible Percent of Association Dues. The ineligible percentage is calculated annually based on the organization's total costs related to its lobbying costs. *General Administration*
- Subscriptions to transportation publications. *General Administration*

50907 Lobbying expense incurred by the transit agency. All expenses associated with lobbying are not eligible and should be backed out under 58005 Ineligible Lobbying Expense. Lobbying is defined as any direct contact with a public official, whether face to face, by telephone, letter, electronic media, or any other means, the purpose of which is to influence the official's legislative or administrative actions. *General Administration*

Note: Expenses incurred conducting a millage election are eligible provided the information concerning the election is factual and neutral. *General Administration* Expenses are not eligible if they are influential in nature, and should be backed out under 58005 Ineligible Lobbying Expense.

50909 Loss on Disposal of Assets. Losses on the disposal of assets should be reported here and backed out as ineligible under 58009 Ineligible Loss on Disposal of Assets.

A loss should not be reported under this code, nor backed out as ineligible under 58009 Ineligible Loss on Disposal of Assets, if the property is given in exchange for part of the purchase price of a similar item and the loss is taken into account in determining the depreciation basis of the new item.

50999 Other Miscellaneous Expenses. Please explain in the PTMS comment field. If the miscellaneous expenses are not in accordance with the basic guidelines of this Manual, then those expenses should be backed out under 55008 Other Ineligible Expenses. Depending upon the expense, the function classification could be *Operations, Maintenance,* or *General Administration*.

Interest Expense

51101 Interest on Long-Term Debt. When funding operating expenses, interest incurred on money borrowed for more than one year should be reported under this code. The interest expense is not eligible and should be backed out under 55006 Other Ineligible Interest Expense. *General Administration*

Note: Interest incurred on such things as capital assets or construction debt must be capitalized and is not reported on the OAR.

51102 Interest on Short-Term Debt. When funding operating expenses, interest incurred on money borrowed for less than one year should be reported under this code. This interest expense is not eligible to the extent of interest earned under 41400 Interest Income and should be backed out under 55006 Other Ineligible Interest Expense. *General Administration*

51103 Interest on State Advances. Interest charged on advances of 41101 State Operating Assistance is not eligible and should be backed out under 58002 Ineligible Interest on State Advances. *General Administration*

51104 Interest on Capital Lease. A lease qualifies as a capital lease if one of the following criteria is met:

8. The title to the asset passes to the lessee by the end of the lease term.
9. The lease contains a bargain purchase option.
10. The lease term is equal to or greater than 75% of the useful life of the asset.
11. The present value of the minimum lease payments is greater than 90% of the fair market value of the leased asset.

The asset of the capital lease must be capitalized and depreciated under 51300 Depreciation. If the transaction does not meet any of the four criteria, the lease is an operating lease and should be reported under 51200 Operating Leases and Rentals.

51200 Operating Leases and Rentals. Lease and/or rental expenses are eligible to the extent that the rates are reasonable considering factors such as: rental costs of comparable property, if any; market conditions in the area; alternatives available; and, the type, life expectancy, condition, and value of the property leased. Expenses not meeting this criteria are not eligible and should be backed out under 55008 Other Ineligible Expenses. Depending upon the type of lease or rental equipment, the function classification could be *Operations, Maintenance, or General Administration*.

Note: With a lease-purchase agreement, the asset must be capitalized and then depreciated under 51300. Interest incurred on a capital lease must be expensed and reported under 51104 Interest on Capital Lease.

Depreciation

51300 Depreciation expense reflects an asset's loss in service value.

An asset worth over \$5,000 with a useful life greater than one year must be capitalized and depreciated over its useful life. The depreciation associated with an asset purchased with federal and/or state funds and required local match is not eligible and should be backed out under 55007 Ineligible Depreciation. If an asset is purchased with local funds, the depreciation expense is eligible if: (1) the asset is reasonable and necessary, and (2) PTD approves the useful life of the asset; otherwise, the expense is not eligible and should be backed out under 55007 Ineligible Depreciation. If you need approval of the useful life of an asset, please contact your PTD Project Manager. Depending upon the asset being depreciated, the function classification could be *Operations, Maintenance, or General Administration*.

Bus rehabilitation contracts are executed with the goal of extending the life of the vehicle an additional 2 years or 100,000 miles. Transit agencies are required to pay a local match. All expenses *paid* under the contract (state and local match) are not eligible for reimbursement, and therefore must be: (1) capitalized, (2) depreciated under this code, and (3) backed out as ineligible under 55007 Ineligible Depreciation.

Please note: Local costs *in excess* of the contract amount (therefore, *not* required under the contract) may be eligible for reimbursement if: (1) the related local costs are reasonable and necessary, and (2) PTD approves the useful life of the item being depreciated; otherwise, the expense is not eligible and should be backed out under 55007 Ineligible Depreciation. If you need approval of the useful life of an asset, please contact your PTD Project Manager.

INELIGIBLE EXPENSES

Ineligible expenses include expenses that are:

- not reimbursable according to this Manual,
- paid under a different CTF program **or** FTA program (except Federal Section 5307 and 5311),
- associated with certain revenues.

Ineligible Depreciation and Ineligible Charter

55007 Ineligible Depreciation include assets purchased with:

- federal and/or state funds and/or local match.
- local funds where the useful life of the asset was not approved by PTD or the asset is not reasonable and necessary.
- bus rehabilitation contracts and related local costs in excess of the contract not approved by PTD.

Ineligible depreciation expense should be classified as either *Operations*, *Maintenance*, or *General Administration* based upon the 51300 Depreciation classification.

58009 Ineligible Loss on Disposal of Assets. Any loss reported in expense code 50909 Loss on Disposal of Assets must be backed out as ineligible under this code.

55015 Ineligible Charter Expense. Expenses associated with 40500 Charter Service. *Operations* A PTD approved cost allocation will be based on charter hours, not charter miles; and must use a transit agency's total operating cost, not total eligible expenses. For

example, based on the following information, \$6,468 is reported in 40500 Charter Service (\$42 x 154 hours) and \$5,236 is reported in 55015 Ineligible Charter Expense (\$34 (Rounding up) x 154 hours).

CHARTER RATE SCHEDULE
for 10/1/02 - 9/30/03

Total Expenses	\$988,000
Less: Nonoperating expenses**	<u>10,000</u>
Total Operating Cost	978,000
Total Vehicle Hours for fiscal year	
610 Vehicle Hours	29,065
630 Charter Hours	<u>154</u>
TOTAL	29,219
Cost per Vehicle Hour (\$978,000 / 29,219)	\$33.47
Profit	<u>8.00</u>
Charter Rate	\$42.00
	(Rounding up)

**Nonoperating expenses include such things as:

- 50909 Loss on Disposal of Assets
- interest expense if the interest expense was incurred for something other than funding operations
- FTA Section 5307 Planning grants (which is reported under 57099 Other Ineligible FSL).

56001 Ineligible Expenses Associated with the Sale of Maintenance Service.

Expenses associated with revenue 40710 Sale of Maintenance Services. *Maintenance*

56002 Ineligible Expenses Associated with Advertising Revenue.

Expenses associated with revenue 40615 Advertising. *General Administration*

56004 Ineligible Expenses Associated with Rentals.

Expenses associated with revenue 40715 Rental of Revenue Vehicles, 40720 Rental of Buildings or Other Property, and 40725 Parking Lot Revenue. Ineligible rental expenses could be classified as either *Operations, Maintenance, or General Administration* based upon the type of property rented.

55010 Other Ineligible Expenses Associated with Auxiliary and Nontransportation Revenue. Expenses associated with 40699 Other Auxiliary Transportation Revenues and 40799 Other Nontransportation Revenue. Depending upon the expense, the function classification could be *Operations, Maintenance, or General Administration*. Please explain in the PTMS comment field.

Ineligible Local Contracts

55005 Ineligible Local Contracts. Ineligibles associated with 40999 Other Local Contracts and Reimbursements. Additional explanation may be provided in the PTMS comment field. Depending upon the contract and/or the expense, the function classification could be *Operations, Maintenance, or General Administration*.

Ineligible State Contracts

55004 Other Ineligible State Contracts. Expenses associated with 41199 Other State Contracts unless the contract has a federal portion, then use 57099 Other Ineligible FSL.

Do not report any expenses associated with CTF programs that have their own individual reporting requirements (e.g. Specialized Services, Project Zero/Work First Initiative, Regional Transportation). Previous versions of the Revenue and Expense Manual allowed expenses associated with CTF programs to be commingled with total eligible expenses for State Operating Assistance provided the expenses incurred for each CTF program was ten (10) percent or less than the transit agency's total eligible expenses for State Operating Assistance. This policy was adopted with the intent to help reduce the cumbersome process of identifying and reporting small dollar amounts. However, if a CTF program has its own reporting requirements, then the transit agency must account for and report all financial and nonfinancial activity associated with that CTF program. Therefore, the 10% rule has been abolished.

Ineligible FTA Contracts

57402 Ineligible RTAP. Expenses reimbursed under revenue 41398 RTAP. Depending upon the type of expense reimbursed, the function classification could be *Operations, Maintenance, or General Administration*.

55003 Other Ineligible FTA Contracts. Depending upon the contractual language, report either the expenses incurred or the revenue received under 41399 Other FTA Contracts and Reimbursements unless the contract requires a state match, then use 57099 Other Ineligible FSL.

Ineligible Federal Contract with State Match and/or Local Match
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55011 Ineligible Preventive Maintenance (FSL). Expenses reimbursed under revenue 41111 Preventive Maintenance (the state portion) and 41311 Preventive Maintenance (the federal portion). *Maintenance*

57602 Ineligible Capital Cost of Contracting (FSL). Expenses reimbursed under revenue 41112 Capital Cost of Contracting (the state portion) and 41312 Capital Cost of Contracting (the federal portion). Depending upon the contract and/or the expense, the function classification could be *Operations, Maintenance, or General Administration*.

57603 Ineligible Administrative Expense Paid by Capital Contract (FSL). Expenses reimbursed under revenue 41113 Other Capital Contract Reimbursement for Administrative Expenses (the state portion) and 41313 Other Capital Contract Reimbursement for Administrative Expenses (the federal portion). *General Administration*

57604 Other Ineligible Operating Expense Paid by Capital Contract (FSL). Expenses reimbursed under revenue 41114 Capital Contract Reimbursement for Operating Expenses (the state portion) and 41314 Capital Contract Reimbursement for Operating Expenses (the federal portion). *Operations*

57099 Other Ineligible FSL. Ineligibles associated with 41199 Other State Contracts and Reimbursements and 41399 Other FTA Contracts and Reimbursements (e.g. planning contracts, operating funds received from Congestion, Mitigation, and Air Quality (CMAQ)). If the contract requires a local match, then the local funds should be backed out under this code. Depending upon the contract and/or the expense, the function classification could be *Operations, Maintenance, or General Administration*. Additional explanation may be provided in the PTMS comment field.

Note: Local match required by a FTA and/or MDOT contract is necessary for fulfillment of that contract, and therefore, is ineligible along with the FTA grant and MDOT match.

Ineligible Miscellaneous Expenses

58002 Ineligible Interest on State Advances. Interest charged on advances of revenue 41101 State Operating Assistance. *General Administration*

55006 Other Ineligible Interest Expense includes: (1) interest paid under 51101 Interest on Long-Term Debt, and (2) 51102 interest expense that equates to 41400 Interest Income. “41400 Interest Income” means interest earned on all local, state, and federal operating revenues including retained earnings. *General Administration*

55009 Ineligible Percent of Association Dues. See 50903 Association Dues and Subscriptions. *General Administration*

58005 Ineligible Lobbying Expense. See 50907 Lobbying. *General Administration*

58007 Ineligible Pension Expense. See 50201 Pensions. Ineligible expenses should be classified as either *Operations, Maintenance, or General Administration* based upon the 501xx Salaries and Wages classification.

55008 Other Ineligible Expenses include:

- losses for which the transit agency is not properly insured.
- expenses that do not meet the criteria established in 51200 Operating Leases and Rentals.
- contributed products and services that do not meet criteria established in this Manual (see page 9).
- entertainment expenses, lottery tickets, and other social activities.
- charitable donations; fines and penalties; bad debt expense, etc.
- expenses that do not comply with this Manual.

Depending upon the expense, the function classification could be *Operations, Maintenance, or General Administration*. Please identify these expenses in the PTMS comment field.

NONFINANCIAL OPERATING DATA

For Regular Service OARs used to report State Operating Assistance, do not include any nonfinancial data that relates to other state CTF operating programs (e.g. Specialized Services, Project Zero/Work First Initiative, Regional Transportation).

Public Service

610 Vehicle Hours. Total hours used to operate all revenue vehicles (e.g. bus drivers' time behind the wheel, bus drivers' time doing pre-trip inspection, bus drivers' time driving deadhead miles). Include vehicle hours associated with 50800 Purchased Transportation Service. For all practical purposes, 610 Vehicle Hours should equate to driver hours.

611 Vehicle Miles. Total miles traveled by revenue vehicles including deadhead miles and 50800 Purchased Transportation Service miles.

615 Passengers - Regular. All passengers except those described in 616 - Elderly, 617 - Persons with Disabilities, and 618 - Elderly Persons with Disabilities.

616 Passengers - Elderly. Number of passengers 65 years of age or older. The age limit defining "elderly" may be lower under local option.

617 Passengers - Persons with Disabilities. Number of passengers not defined as 616 - Elderly and who have a physical or mental impairment that substantially limits one or more of the major life activities of the individual, a record of such an impairment, or being regarded as having such an impairment.

618 Passengers - Elderly Persons with Disabilities. Number of passengers who meet the definition of both 616 - Elderly and 617 - Persons with Disabilities.

621 Total Line-Haul Passengers. Total number of passengers picked up on a regular schedule at designated bus stops.

622 Total Demand-Response Passengers. Total number of passengers that received door-to-door service.

Code 620 Total Passengers is computer-generated by adding the number of passengers reported in 615 - Regular, 616 - Elderly, 617 - Persons with Disabilities, and 618 - Elderly Persons with Disabilities. PTMS will display a popup window if the sum of 621 Total Line-Haul Passengers and 622 Total Demand-Response Passengers does not equal the sum of 615 - Regular, 616 - Elderly, 617 - Persons with Disabilities, and 618 - Elderly Persons with Disabilities.

Please note: The total passenger count should include passengers associated with 50800 Purchased Transportation Service.

For Example, assume a transit agency transported 144 passengers during the fiscal year. Code 620 must add to 144.

	LH Passengers	DR Passengers	Total	
Regular	120	0	120	← 615 Regular
Elderly	4	10	14	← 616 Elderly
w/ Disabilities	0	6	6	← 617 w/ Disabilities
Elderly w/ Disabilities	<u>1</u>	<u>3</u>	<u>4</u>	← 618 Elderly w/ Disabilities
Total	125	19	144	← 620 Total
	621 Line-Haul	622 Demand-Response		

625 Days Operated. Number of days revenue vehicles are available for service.

Vehicle Information

Revenue vehicles include buses, rapid transit vehicles, railroad cars, water vehicles, taxicabs, and vehicles used in 50800 Purchased Transportation Service, but do not include such vehicles as administration or parts running vehicles.

The number of vehicles in the PTMS vehicle inventory will not necessarily match the number of vehicles reported in 653 Total Line-Haul Vehicles and 655 Total Demand-Response Vehicles.

653 Total Line-Haul Vehicles. The actual physical count of all revenue vehicles used primarily for line-haul service.

654 Line-Haul Vehicles with Lifts. The number of line-haul vehicles included in the 653 count that is equipped with a lift or a ramp.

655 Total Demand-Response Vehicles. The actual physical count of all revenue vehicles used primarily for demand-response service.

656 Demand-Response Vehicles with Lifts. The number of demand-response vehicles included in the 655 count that is equipped with a lift or a ramp.

658 Total Transit Vehicles is computer-generated by adding the number of vehicles reported in 653 Total Line-Haul Vehicles and 655 Total Demand-Response Vehicles.

For Example, assume a transit agency has 10 line-haul buses of which 5 are equipped with lifts/ramps and 5 demand-response buses of which all are equipped with lifts/ramps. Code 658 will be computer generated and will equal 15.

	<u>with</u> lifts/ramps		w/o lifts/ramps	Total	
LH Vehicles	5	←654 LH w/ Lifts	5	10	←653 Total LH Vehicles
DR Vehicles	5	←656 DR w/ Lifts	0	5	←655 Total DR Vehicles
Total	10		5	15	←658 Total Transit Vehicles

Miscellaneous

601 Number of Routes (Line-Haul Only). Total number of routes operated by a transit agency.

602 Total Route Miles (Line-Haul Only). Total round-trip miles of each of the routes in 601, excluding deadhead miles.

630 Charter Service Hours. Total vehicle hours used to provide charter service, including deadhead hours.

631 Charter Service Miles. Total vehicle miles used to provide charter service, including both the miles under contract and deadhead miles.

634 Other Service Hours. Total hours of service other than those described in 610 Vehicle Hours and 630 Charter Service Hours. Please explain the service provided in the PTMS comment field.

635 Other Service Miles. Total miles associated with 634 Other Service Hours and all miles other than those described in 611 Vehicle Miles and 631 Charter Service Miles.

659 LPG (propane) or CNG (compressed natural gas) - Gallons Equivalent Consumed.

660 Diesel/Gasoline - Gallons Consumed.

Code 659 plus 660 should equal the total amount of fuel consumed by the transit agency.

661 Total Transit Agency Employees (full time equivalent ("FTE")). All staff (e.g. transit manager, bookkeeper, bus drivers). FTEs are determined by dividing all employee hours worked (including contract employees' hours worked) by 2080 hours (round to the nearest whole employee). Do not count transit board members.

662 Total Revenue Vehicle Operators (FTE). Drivers and other transit agency employees who perform driver type duties (e.g. completing pre-trip inspections). These employees are also included in 661. FTE equals total driver hours (including contract driver hours) worked divided by 2080 hours (round to the nearest whole employee).

For example, assume a transit agency has 30 employees of which 14 are drivers.

All employees except drivers	16	
Drivers	<u>14</u>	←662 Total Revenue Vehicle Operators
	30	←661 Total Transit Agency Employees

663 Number of Accidents. Total collision, noncollision, and station accidents resulting in a fatality, personal injury, or property damage. This information is based on the transit agency's accident/incident reports, not on claims filed. Robberies, assaults, and other crimes or misdemeanors should not be included in the number of accidents.

LISTING OF SIGNIFICANT FTA and CTF PROGRAMS

Financial and nonfinancial data associated with other CTF programs should be reported on the appropriate PTMS OAR. Any local match required by the contract and all costs in excess of the contract should be included in the total cost of the program. If a transit agency receives State Operating Assistance and funds for one or more CTF program, a PTD approved cost allocation plan is required.

- FTA Section 3037 (Job Access and Reverse Commute)
- CTF Specialized Services
- CTF Ride Share/Van Pooling
- CTF Regional Transportation
- CTF Project Zero/Work First Initiative